



**ANNUAL REPORT**  
**ON THE**  
**UNITED STATES GOVERNMENT**  
**2004**



**House Policy Committee**  
**Christopher Cox, Chairman**

# Statement of Revenues and Expenses

## Revenues

	Fiscal Year <sup>1</sup>		Percent Change
	2003	2004	
Individual income taxes . . . . .	\$ 793,699,000,000	\$ 808,958,000,000	2%
Social insurance taxes <sup>2</sup> . . . . .	712,978,000,000	733,408,000,000	3%
User fees, earmarked taxes and receipts <sup>3</sup> . .	449,831,000,000	470,490,000,000	5%
Corporation taxes . . . . .	131,778,000,000	189,370,000,000	44%
Excise and customs duties . . . . .	87,384,000,000	90,934,000,000	4%
Miscellaneous receipts . . . . .	34,519,000,000	32,299,000,000	- 6%
Death taxes <sup>4</sup> . . . . .	21,959,000,000	24,831,000,000	13%
<b>Total Revenues</b>	<b>\$ 2,232,148,000,000</b>	<b>\$ 2,350,290,000,000</b>	

## Expenses

Social spending <sup>5</sup> . . . . .	\$ 1,504,180,000,000	\$ 1,577,285,000,000	5%
Military spending . . . . .	322,310,000,000	357,666,000,000	11%
Interest on national debt . . . . .	318,149,000,000	321,566,000,000	1%
Administrative agencies <sup>6</sup> . . . . .	205,486,000,000	224,498,000,000	9%
Homeland security <sup>7</sup> . . . . .	103,751,000,000	116,732,000,000	13%
Transportation . . . . .	56,414,000,000	60,703,000,000	8%
Environment, fish, wildlife, parks, interior .	40,627,000,000	41,987,000,000	3%
State and foreign affairs <sup>8</sup> . . . . .	32,655,000,000	38,414,000,000	18%
NASA . . . . .	14,552,000,000	15,186,000,000	4%
Judiciary . . . . .	5,186,000,000	5,473,000,000	5%
Congress . . . . .	2,755,000,000	3,030,000,000	10%
The President . . . . .	302,000,000	303,000,000	*
<b>Total Expenses</b>	<b>\$ 2,606,367,000,000</b>	<b>\$ 2,762,843,000,000</b>	

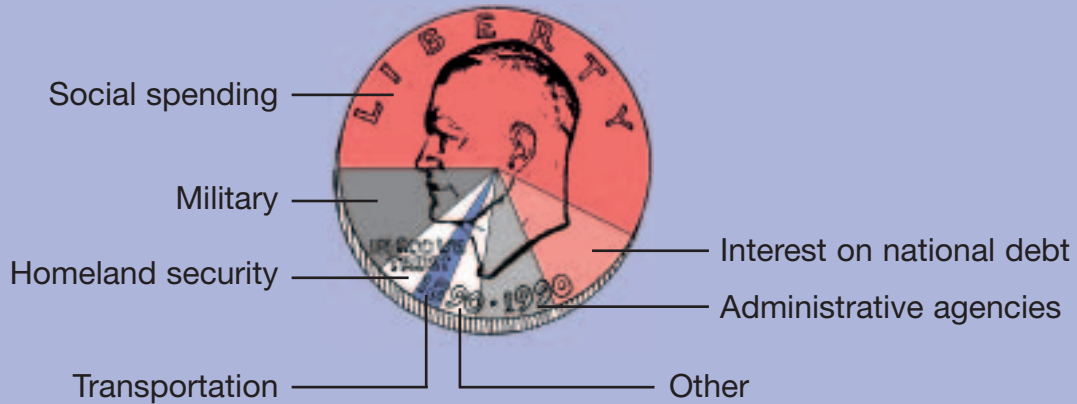
<b>Surplus/(Deficit)<sup>9</sup></b>	<b>\$ (374,219,000,000)</b>	<b>\$ (412,553,000,000)</b>
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\* less than 1%

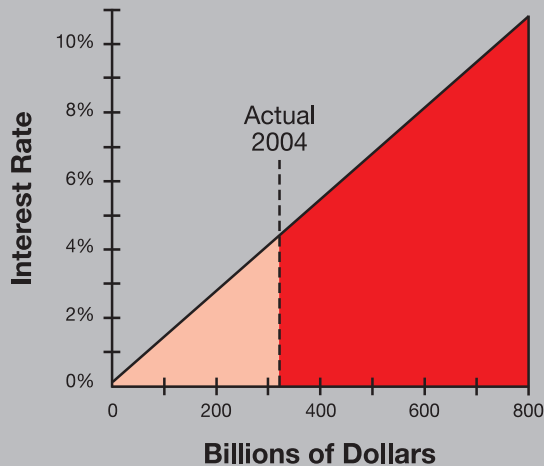
## Notes

1. The U.S. Government fiscal year begins on October 1 and ends on September 30.
2. Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
3. Represents receipts of federal departments and agencies netted from gross outlays in Treasury reports, such as proprietary receipts from the public, receipts from off-budget federal entities, and total undistributed offsetting receipts.
4. Repealed effective January 1, 2010, by Public Law 107-16 signed by President Bush on June 7, 2001.
5. Includes arts, education, labor, health and human services, low income and public housing, WIC, welfare block grants, food stamps and other agricultural programs, and federal retirement programs (including Social Security).
6. Includes SBA, GSA, DOE, GAO, Commerce, CPB, District of Columbia, EEOC, Export-Import Bank, FCC, FDIC, FTC, Government Printing Office, Justice, Library of Congress, National Archives and independent agencies.
7. Includes extraordinary expense attributable to post-9/11 programs for homeland security, military and civilian operations in Afghanistan and Iraq, DHS, and federal share of national, state, and local terrorism preparedness.
8. Includes outlays for Department of State, Peace Corps, OPIC, AID, foreign military sales, and other international assistance programs.
9. The excess of Social Security taxes over outlays for Social Security was \$156 billion in 2003 and \$155 billion in 2004. Exclusion of Social Security taxes and benefit payments from revenues and expenses would result in a deficit of \$530 billion in 2003 and \$568 billion in 2004.

## Composition of Federal Spending, 2004



## Interest Expense and Sensitivity to Rate Changes

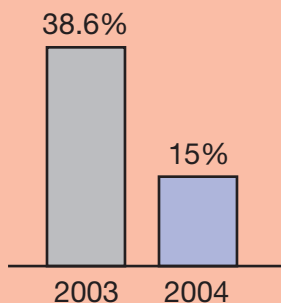


Interest expense on the \$7.4 trillion national debt totaled 12 percent of federal spending in 2004. Historically low interest rates have significantly lessened the impact of the rapid growth in federal borrowing. As a result, debt service in 2004 was less than in 1995, even though the national debt in 2004 was 50 percent larger than in 1995.

Should interest rates rise, the federal government's interest expense would increase substantially. This, in turn, would further increase the deficit. Had the average interest rate during fiscal 2004 been two points higher, debt service would have risen to \$469 billion. This is approximately the combined total for military and homeland security expenses in 2004.

## Effect of Change in Dividend Tax Rates, 2003-2004

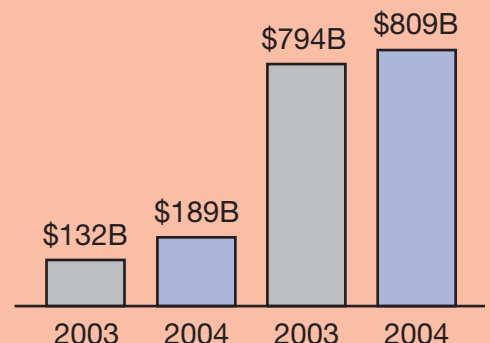
### Dividend Tax Rates



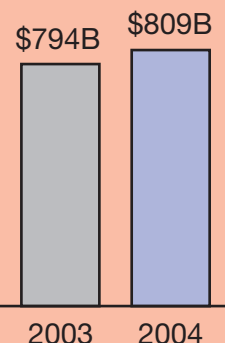
In 2003, Congress cut the top rate on dividends from 38.6 percent to 15 percent. This reduced the highest effective rate of tax on dividends to 45 percent, since dividends are taxed twice: first as corporate income at a top rate of 35 percent, and again when distributed to the shareholder at the individual income tax rate.

Following the easing of the rate of dividend taxation, taxable corporate income grew significantly. Revenues from corporate income taxes increased by 44 percent from 2003 to 2004. During the same period, income taxes from individuals increased from \$794 billion in 2003 to \$809 billion in 2004.

### Corporate Tax Revenues



### Individual Tax Revenues





Congress of the United States  
House of Representatives  
Washington, DC 20515-0515

January 2005

Dear Taxpayer:

Since President Bush signed into law across-the-board income tax rate reductions for all taxpayers in 2003, tax revenues have rebounded along with the economy. The gross domestic product grew by 4.9 percent in fiscal 2004, the fastest annual rate of growth since President Reagan's tax cuts 20 years ago.

This economic growth, by adding new revenue to the Treasury, reduced the actual 2004 deficit by more than \$100 billion from the Office of Management and Budget forecast in February 2004. In addition to an increase in individual income tax collections, corporate income tax revenues increased 44 percent over 2003--spurred by a cut in the dividend tax rate from 38.6 percent to 15 percent.

Despite solid revenue growth, unchecked growth in federal spending remains a serious problem. While expenditures for homeland security and national defense accounted for one-third of the \$156 billion spending increase in 2004, higher spending on social programs and administrative agencies contributed over 60 percent of the total federal spending increase last year.

These are just some of the important facts can be gleaned from this year's Annual Report. Each year since 1989, I have provided this summary of the federal government's financial operations because, as a taxpayer, you are entitled to it. I hope you find it useful.

Sincerely,

Congressman Christopher Cox  
48th District, California

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

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**ANNUAL REPORT TO TAXPAYERS**